Department of Veterans Affairs

Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 5C

Obligation at Claims Approval

Approved:

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0501 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies regarding Obligation at Claims Approval.

Prior to FY 2019, VA recorded obligations for Community Care at the time the care was authorized by a VA health care provider. The recorded obligation reflected the total value of care a Veteran might receive under the authorization, which resulted in significant over-obligation. For example, in the case of a knee injury, a VA health care provider's authorization would cover a variety of possible medical interventions, to include up to ten physical therapy sessions, an MRI, and even surgery, at a total cost of thousands of dollars. VA would record the obligation for the total care possible under the authorization, but the Veteran might complete only three physical therapy sessions, costing only a few hundred dollars. Several months or years later VA would de-obligate the unused funds, making it more difficult to efficiently optimize resource allocation and planning, and increasing the risk that funds could expire instead of being available to provide care for Veterans.

In FY 2019, VA began to record obligations for Community Care at the time of approval of payment to providers, rather than the prior practice of obligating at the time of authorization for care. When VA changed its practice, it applied the recording change to all types of Community Care acquisitions, which meant that VA recorded obligations not only when it approved claims received directly from health care providers but also when it approved vouchers, invoices, and requests for payment received from a Third-Party Administrator (TPA) who acquired healthcare services for Veterans from the TPA's network of health care providers.

In FY 2020, VA determined that its revised accounting practice was not allowed under current law and that a change in law was required to continue the practice. In the FY 2021 appropriations act (P.L. 116-260), Congress provided VA with the necessary legislative authority to continue to record Community Care obligations at the time of approval of payment to providers, retroactive to FY 2019.

Key points covered in this chapter:

- Obligation at Claims Approval may only be used to carry out section 1601 of division FF of Public Law 116-260 in alignment with Congress' intent when providing VA with the necessary legislative authority to continue to record Community Care obligations at the time of approval of payment.
- This policy authorizes the Veterans Health Administration (VHA) to establish obligations under Obligation at Claims Approval authority.
- For the purposes of establishing an obligation under Obligation at Claims Approval authority, VA defines hospital care or medical services furnished at non-Departmental facilities as hospital care or medical services delivered by community providers. VA uses the term community care when referring to these services.

- Obligation at Claims Approval authority is applicable to all VA obligations owed for hospital care or medical services delivered by community providers regardless of the appropriation used to fund this care, the type of care provided, or the physical location where the veteran receives care.
- The definitions, roles and responsibilities, and statements within this policy are limited to the application of Obligation at Claims Approval authority used to establish financial obligations; they should not be applied outside the specified scope and context.

0502 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	New Chapter	OFP (047G)	Implementation of policy for recording obligations at approval	October 2022

0503 Definitions

Community Care – Hospital care, medical services, and extended care services to covered Veterans and family members delivered by community providers.

Community Providers – A 38 U.S.C. § 1703 provider, external to VA, that delivers hospital care, medical services, or extended care services to covered Veterans and family members through a third-party administrator (TPA) contract, community care contract, or Veteran Care Agreement.

Departmental Facilities – A point of care where VA delivers hospital care, medical services, or extended care services to covered individuals.

Hospital Care and Medical Services at Non-Department Facilities/Community Care – Hospital care, medical services, and extended care services delivered to covered Veterans and family members by community providers. This definition only applies to obligations recorded under Public Law 116-260, the Consolidated Appropriations Act, 2021, Division FF, Title XVI, Section 1601, Recording of Obligations.

Non-Departmental Facilities – Facilities other than those designated as Departmental Facilities.

Obligation – A legally binding agreement that will result in outlays, immediately or in the future. An obligation is a legal liability of the Government against an available appropriation.

Obligation at Claims Approval – Occurs when a liability does not arise until the agency formally reviews, applies all established business rules, and approves payment of the healthcare claim or invoice. In these instances, the agency should not record an obligation until it approves the claim or invoiced for payment. (See discussion at Government Accountability Office (GAO) Redbook Chapter 7, Obligation of Appropriations, Administrative Approval of Payment).

0504 Roles and Responsibilities

Under Secretary of Health is responsible for ensuring compliance with and issuing standard operating procedures to implement the policies set forth in this chapter.

Delegated Accountable Officer receives the Secretary's delegated authority, through the Under Secretary for Health, to certify that all VA claims and invoice processing systems apply business rules to claims, vouchers, invoices, or requests for payment for services provided by community providers or State Homes.

VHA CFO is responsible for establishing a system of internal controls that support obligations subject to Obligation at Claims Approval authority, ensuring appropriations are spent in accordance with the Congressional intent and limits and identifying the Delegated Accountable Officer(s).

VHA Finance Offices are responsible for carrying out the responsibilities assigned by the VHA CFO and performing reconciliations and providing oversight of open obligations to ensure funds are expended appropriately and proper amounts are reflected in VA's financial statements.

0505 Policies

050501 General Policies

A. In accordance with section 1601 of division FF of Public Law 116-260, VHA will establish "Obligation at Claims Approval" processes and procedures.

B. Obligation at Claims Approval authority is applicable to all VA obligations owed for hospital care or medical services delivered by community providers regardless of the appropriation used to fund this care, the type of care provided, or the physical location where the veteran receives care.

C. The term "all services" includes both clinical and administrative. Accordingly, contract administrative services for hospital care or medical services delivered by community providers will be accounted for as Obligation at Claims Approval.

D. VA considers hospital care or medical services furnished at non-Departmental facilities as hospital care or medical services delivered by community providers.

E. Under the Obligation at Claims Approval authority, VA recognizes an obligation for community care when it receives, validates, and approves a healthcare claim. VA does not record estimated obligations subject to Obligation at Claims Approval authority.

F. To avoid potential violations of the Antideficiency Act (ADA), VA will ensure that adequate funding is available to pay all claims, vouchers, invoices, and requests for payment VA anticipates approving.

G. VA will not issue new authorizations or orders for care or services for any fiscal year in which an appropriation for the payment of hospital care or medical services furnished at non-Departmental facilities has been exhausted or has yet to be enacted.

H. VA will post fiscal end of year accruals to capture the full value of all approved claims and invoices, including claims and invoices approved but not yet established in VA's accounting system. By calculating the end of year accruals based on all approved claims and invoices, VA represents the full value of all obligations recognized under Obligation at Claims Approval authority.

I. Except as established in VA Financial Policy Volume II, Chapter 6,1358 Obligations, each obligation must be individually obligated; lump-sum obligations are not permitted.

050502 Documentation Requirements

A. VA will ensure sufficient documentary evidence exists for each obligation as established in 31 U.S.C. § 1501, Documentary evidence requirement for Government obligations. Such evidence will provide a clear audit trail and substantiate the validity of the obligation. Evidence constitutes a received, validated, and approved payment claim.

B. See VA Financial Policy Volume II, Chapter 5 – Obligations Policy for further information on obligation documentation requirements.

C. VA will comply with National Archives and Records Administration (NARA) General Records Schedule for financial management and reporting records.

0506 Authorities and References

38 C.F.R. § 17.4030 – Eligible entities and providers

38 U.S.C. § 1701 – Definitions

38 U.S.C. § 1703 – Veterans Community Care Program

38 U.S.C. § 1717. Home health services; invalid lifts and other devices

38 U.S.C. § 1718, Therapeutic and Rehabilitative Activities

Measures of Quality for Different Health Care Settings | Agency for Healthcare Research and Quality (ahrq.gov))

National Archives and Records Administration (NARA) General Records Schedule

Public Law 115–182, the VA MISSION Act of 2018

Public Law 116-260, the Consolidated Appropriations Act, 2021, Division FF, Title XVI, Section 1601

The Caregivers and Veterans Omnibus Health Services Act of 2010

VA Financial Policy Volume II, Chapter 3, VA Fund Control

VA Financial Policy Volume II, Chapter 5, Obligations

VA Financial Policy Volume II, Chapter 5B, Non-Contractual Obligations

VA Financial Policy Volume II, Chapter 6, 1358 Obligations

VA Financial Policy Volume II, Chapter 7, Various Appropriations Law Related Topics

0507 Rescissions

None

0508 Questions

Questions concerning these financial policies should be directed to the following points of contact:

VHA	VHA Financial Policy (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
All Others	OFP Accounting Policy (Outlook)

Appendix A: Obligation at Claims Approval Categories of Care Examples

VA aggregates costs for hospital care or medical services delivered by community providers into Categories of Care. The list below shows examples of current Categories of Care that record obligations under Obligation at Claims Approval. Obligation at Claims Approval authority is applied to a Category of Care independent of the medical appropriation used to fund the care, the type of care provided, or the physical location where the veteran receives care.

Categories of Care
Medical Community Care Funded
Behavioral/Mental Health
Dental
Department of Defense
Camp Lejeune
CHAMPVA
Children of Women Vietnam Veterans
Contract Nursing Home
Dialysis
Foreign Med
Geriatrics
Home Health Care
Indian Health
Inpatient
Medical Contract Administrative Services
Outpatient
Pharmacy
Prosthetics
State Home
Tribal Health
Unauthorized Care
Urgent Care
Vaccinations
Medical Services Funded:
Caregiver Support programs (Non-VA Caregiver Respite and Non-VA Oversight)
CHAMPVA Caregivers
Outpatient In Vitro Fertilization

Appendix B: Frequently Asked Questions (FAQs)

FAQ #1: What authority allows VA to apply Obligation at Claims Approval authority to hospital care or medical services furnished through non-Departmental facilities by community providers?

Answer: Public Law 116-260, the Consolidated Appropriations Act, 2021, Division FF, Title XVI, Section 1601, enacted on December 27, 2020, provided that VA shall record an obligation amount owed for hospital care or medical services furnished at non-Departmental facilities on the date on which the Secretary approves: (i) a claim by a health care provider for payment or (ii) a voucher, invoice, or request for payment from a vendor for services rendered under a contract. This law shall take effect as if enacted on October 1, 2018 (FY 2019).

FAQ #2: For Obligation at Claims Approval programs that provide medical services in a Veteran's home, will this policy impact Beneficiary Travel (BT) or Community Care eligibility?

Answer: This policy does not impact BT or Community Care eligibility. To determine BT, VHA uses the closest VA facility or non-VA facility (depending on the authority in question) **that provides the necessary care**. As an example, Home Health medical services provided at a Veteran's residence would not affect BT determinations for hospital care and medical services that are not available to the Veteran in their residence.

FAQ #3: Will Veterans or family members that receive Home Health care through community care need to have their homes certified by a specific governing body such as Joint Commission?

Answer: A Veteran's residence already undergoes an initial safety assessment prior to receiving care in the home per the Office of Geriatrics and Extended Care (GEC). Depending on the state of residence, Home Health agency staff, such as a registered nurse, performs an assessment of the residence to validate that the Veteran's home meets baseline safety standards such as working utilities and free from trip hazards. If the Veteran's home does not meet baseline safety standards, the GEC will work through state and local services to remediate the situation but does not directly implement remedial actions at the Veteran's residence. Except in unique circumstances, all skilled home healthcare agencies must be certified by CMS (Centers for Medicare and Medicaid Services) under Title XIX (Medicaid) and approved based on VHA established criteria, such as licensure by the State as a Homemaker/Home Health Aide provider.

FAQ #4: Will Veterans or family members that receive care in their home, be eligible for additional benefits?

Answer: Veterans that receive Home Health Services may be eligible and receive a Home Improvement and Structural Altercations (HISA) benefit, independent of their participation in Home Health Services. The Veteran would apply for the HISA benefit through the standard HISA process, including requirements specified in the HISA application package. Participation and eligibility in Home Health Services operates completely independently from the HISA process.

FAQ #5: Does Non-VA Caregiver Respite and Non-VA Oversight fall under Public Law 116-260, the Consolidated Appropriations Act, 2021, Title XVI, Section 1601 authorities?

Answer: The Caregiver Respite and Oversight sub-specialties exist to provide caregivers relief by furnishing Veterans' certified home care or nursing home care on a temporary basis. Because this care is medical services delivered by community providers, VA's Obligation at Claims Approval financial policy defines the Non-VA Caregiver Respite and Oversight sub-specialties as subject to Obligation at Claims Approval.

FAQ #6: How will this policy impact medical services programs administered through telehealth?

Answer: Only medical services delivered by community providers, outside of VA, meet the Obligation at Claims Approval definition. Telehealth services delivered by a VA provider would not be subject to Obligation at Claims Approval authority.

FAQ #7: How will contractual administrative services be accounted for under this policy?

Answer: The new law requires recording obligations upon approval of payment for invoices from the vendor for "services rendered under a contract" for non-VA hospital care or medical services. The term "all services" includes both clinical and administrative services. Accordingly, contract administrative services and costs for hospital care or medical services delivered by community providers will be accounted for as Obligate at Claims Approval.

FAQ #8: Is the Obligate at Claims Approval process applicable to FAR-based contracts?

Answer: Obligation at Claims Approval derives its authority from Section 1601 of division FF of Public Law 116-260, which provided VA with the necessary legislative authority to continue to record Community Care obligations at the time of approval of payment. The legislation is not procurement-vehicle specific and is applicable to all VA obligations owed for hospital care or medical services delivered by community providers regardless of the procurement vehicle (FAR-based contract, Veteran Care Agreement, etc.) used to procure the care.